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# World Production and Trade

United States  
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Foreign  
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Service

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Weekly  
Roundup

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The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade.

## TRADE NOTES

Spain and Portugal Become Members of the European Community. On January 1, Spain and Portugal became the eleventh and twelfth members of the European Community. They now have to adopt the customs duties and agricultural policies of the Community. Most of these changes will be phased in over a 7 to 10-year transition period. The most immediate impact for U.S. agricultural exports will result from the application of the EC's variable levy system on grain imports by Spain and Portugal (partially) beginning March 1, 1986.

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U.S. Agricultural Exports to Bulgaria Increase. Total Bulgarian purchases of U.S. agricultural products this year may reach \$50 million, double the 1985 level and the highest since 1982. The higher level of imports reflects drought-reduced agricultural production in Bulgaria in recent years, particularly last year. For the first time since 1979, Bulgaria has borrowed from western banks to finance purchases of grain.

Bulgaria has been an active customer for U.S. feed grains in recent months. It was the destination for 141,000 metric tons of U.S. corn in the first three months of fiscal 1986 and another 160,000 tons have been sold for future delivery. This compares with U.S. exports to Bulgaria of 129,000 tons of feed grains in 1985 and only 44,000 tons in 1984. In addition to feed grains, U.S. agricultural exports to Bulgaria generally include soybeans, tobacco and animal hides and skins.

## GRAIN AND FEED

European Community Pursues Aggressive Wheat/Flour Export Policy. European Community (EC) wheat and flour export licenses through mid-December totaled 8.8 million tons, 2.3 million tons ahead of the previous year's record volume. Mid-November licenses were only 1.4 million tons ahead of 1984's mid-November pace. The EC's aggressive posture may not only reflect attempts to compete with U.S. export programs, but may also indicate efforts to reduce burdensome stocks.

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LYNN K. GOLDSBROUGH, Editor, Tel. (202) 382-9442. Additional copies may be obtained from FAS Media and Public Affairs Branch, 5922-S, Washington, D.C. 20250. Tel. (202) 447-7937.



Demand Grows for U.S. Beans. Demand for edible beans from the United States appears to be growing as a recent sale to Algeria and new demand from Brazil have highlighted. Brazil may import as much as 200,000 tons of U.S. dry edible beans because of a smaller drought-impacted harvest. Dry edible bean exports from the United States to all destinations in 1984/85 were only 270,000 tons. Algeria, in its first direct purchase of U.S. beans, has purchased 8,000 tons of great northern beans and 1,000 tons of blackeye beans.

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Aggressive Thai Corn Sales to Korea. Thailand's record exportable corn surplus and recent aggressive sales may mean smaller U.S. corn sales to Korea. Thai exports to Korea for the first quarter of 1985/86 total 400,000 tons, compared with only 50,000 tons for all of 1984/85. With ample exportable supplies and lower Chinese availabilities, Thailand has apparently targeted Korea as a potential corn market. China exported 1.5 million tons into Korea in 1984/85 and this year the United States was expected to regain most of this market. In previous years, the United States supplied nearly all of Korea's 3-4 million tons of annual corn imports.

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Kenya Returns to Corn Surplus Situation. A record Kenyan corn crop could result in an exportable surplus of over 200,000 tons in 1985/86 (October-September), compared with 1984/85 when a drought-affected harvest led to corn imports of 500,000 tons, nearly half of which were from the United States. Limited storage capacity will probably pressure Kenya to export most of its surplus. Although Kenya historically has been an erratic trader of small quantities of corn, Kenya has imported an average of 300,000 tons annually over the past six years.

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Australian Rains Could Increase Supplies of Feed Wheat. Late rains may have damaged the 1985 Australian wheat harvest, causing as much as 2.5 million tons to be downgraded to feed-quality. Abundant feed wheat supplies are not expected to change Australia's total wheat export forecast; however, this would add to the already large supplies of feed wheat overhanging the world market. The Australian wheat marketing program is off to a strong start in 1985/86 with sales of more than 6.0 million tons, compared to 4.7 million tons at this time a year ago when exports reached a record 16.6 million tons. Feed wheat sales to Korea, a significant market in 1984/85, have already been reported.

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## OILSEEDS AND PRODUCTS

Chinese Oilseed Production and Export Prospects Mixed. China's 1985 production of major oilseeds is estimated at 31.2 million tons, slightly more than 1984's output. Despite dramatic expansion in peanut and rapeseed area, total oilseed production was limited by less favorable weather that affected the soybean crop and reduced plantings of cotton. China may export more peanuts, but not enough to offset the expected large reduction in soybean exports. Vegetable oil exports could expand by 5 percent as more peanut oil is sold, while oilmeal exports could fall off moderately owing to increased feed requirements in China.

## DAIRY, LIVESTOCK AND POULTRY

Meat Production in the Soviet Union Increases. Meat production on state and collective farms in the USSR during January-November 1985 was up 2 percent, according to the U.S. agricultural attache in Moscow. For individual meats, beef was up 2.6 percent, pork up 0.6 percent and poultry up 6.9 percent. Output of sheep and goat meat was down more than 10 percent from the comparable period in 1984. Milk output per cow was reported nearly 2 percent higher, but declining cow numbers kept cumulative output to a 1.5-percent increase. Egg output was up nearly 3 percent with about half of that increase due to increased output per laying hen.

Total cattle numbers on state and collective farms were reported to be 94.2 million head on December 1, a decrease of 0.4 million head from 1984. Cow numbers, reported at 29.2 million head on December 1, accounted for the entire decline. December 1 hog numbers were 59.1 million head, 1.0 million below 1984. Poultry numbers were reported to have increased 2 percent from December 1984.

Developments in the hog sector during November indicated herd rebuilding has likely begun (i.e. hog numbers usually decline about 2 million head between October 1 and November 1, but last year's decline was only half that level). Despite reports of record forage supplies, cow numbers uncharacteristically declined between October 1 and November 1. The change in poultry numbers during November was not atypical.

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Record U.S. Shipment of Hogs to China. On December 3, a shipment of 1,950 breeding hogs was sent from the United States to Guangzhou, China. This sale had a value of more than \$2 million and constitutes the single largest export shipment of U.S. hogs in history. After signing the Animal Health Agreement with China in 1983, the United States began shipping live hogs there last year. Hog exports from January-October totaled 1,018 head and were valued at \$636,000.

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Korea Lifts Ban on U.S. Poultry Imports. Korea has lifted its ban on U.S. poultry and poultry product imports from five states (Virginia, Maryland, Pennsylvania, New Jersey and California) where avian influenza occurred in 1984. This will primarily affect U.S. exports of poultry breeding stock, which reached a value of \$1.2 million in 1983 before the ban.

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Japan Announces New Demand Development Quota for Imported Beef. Japan's Ministry of Agriculture, Fisheries and Forestry (MAFF) announced a new quota category called "Demand Development Quota" for 800 tons of beef beginning with the second half of Japan fiscal year (JFY) 1985 (April 1985-March 1986). This quota is separate from and in addition to the special embassy beef promotion quotas and is designed to be used to facilitate imported beef promotion. Users of the new quota will be required to submit imported beef promotion plans to MAFF in order to obtain quota allocations for this category. The availability of beef exclusively for promotion purposes could strengthen demand for imported U.S. beef if the program is implemented effectively. The total JFY 1985 beef quota now amounts to 159,000 tons. Total fresh and frozen quota and non-quota beef exports to Japan during January-September 1985 were 60,889 tons.

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Japan To Implement Intervention Pork Stocks Program. Japan's Ministry of Agriculture, Forestry and Fisheries recently decided to isolate frozen pork stocks from the market, equivalent to 290,000 hogs (roughly 1.5 percent of annual production), due to hog growers suffering from continued weak pork market prices. So far, there is no indication that the government will attempt to curb imports. (Importers were requested to delay pork arrival schedules as part of a similar intervention action in 1980.) U.S. pork exports to Japan were 20,000 tons in 1984, but were projected at only 15,000 tons or less in 1985. Japan's pork imports have decreased from 280,000 tons in 1984 to a projected 225,000 tons in 1985.

The decision on market intervention is attributable to continuing weakness of the pork market (the current carcass price is 504 yen per kilogram compared with the price support floor level of 600 yen) and the outlook for continued hog marketings at about 10 percent above the 1985 level.

#### COTTON

Indonesia Implements New Regulations on Cotton Importers. Indonesia recently placed new regulations on cotton importers. In order to open the required letter of credit, 1 ton of domestic cotton must be purchased for each 10 tons of imported cotton. Mills apparently have not been using domestic cotton previously purchased and large quantities of this cotton are accumulating at the mills.

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## TEA

World Tea Production Increases. Tea production in selected countries during 1985 is estimated at 2.24 million tons, 3 percent above the revised 2.17 million tons harvested in 1984. Output in India, the largest producer accounting for 30 percent of the world production, is estimated at a record 675,000 tons, up 5 percent from the 645,100 tons produced in 1984. The increase is attributed to favorable weather in north India, which accounts for roughly three-fourths of total Indian tea production, and improved management practices and increased application of fertilizer and pesticides. Per-hectare yield of Indian tea has increased from around 1,200 kilograms in the early 1970's to more than 1,600 kilograms in 1984.

China's tea output in 1985 is estimated at 390,000 tons, down 6 percent from the record 1984 crop of 413,000 tons. The decrease in outturn was caused by unusually cool, wet spring weather. Tea production in Sri Lanka for 1985 is estimated at 215,000 tons, 3 percent more than 1984 due to favorable weather and increased use of fertilizers.

Kenya's tea output is estimated at a record 150,000 tons, up 29 percent from the drought-affected 1984 crop. Good rains and warm weather stimulated plant growth and resulted in record picking during most of 1985.

## COFFEE

Indonesia Produces Record Coffee Crop. Indonesia's 1985/86 coffee production is estimated at a record 5.9 million (60 kilogram) bags, 18 percent above last year's revised outturn of 5.0 million, according to the U.S. agricultural counselor in Jakarta. The higher estimate is attributed to a rebound in coffee yields following the drought-reduced crop of 1984/85.

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Selected International Prices

Item	Jan. 7, 1986	Change from 12/17/85	A year ago
ROTTERDAM PRICES 1/	\$ per MT	\$ per bu.	\$ per MT
Wheat:			
Canadian No. 1 CWRS-13.5%.	N.Q.	--	N.Q.
U.S. No. 2 DNS/NS: 14%....	179.00	4.87	-2.00
U.S. No. 2 S.R.W. ....	164.00	4.46	+5.00
U.S. No. 3 H.A.D.....	173.00	4.71	0
Canadian No. 1 A: Durum...	N.Q.	--	--
Feed grains:			
U.S. No. 3 Yellow Corn....	119.00	3.02	-3.75
Soybeans and meal:			
U.S. No. 2 Yellow.....	219.10	5.96	+2.30
Brazil 47/48% SoyaPellets	204.00	--	+9.00
U.S. 44% Soybean Meal....	183.00	--	+7.00
U.S. FARM PRICES 3/			
Wheat.....	115.73	3.15	-.73
Barley.....	75.78	1.65	+.92
Corn.....	90.55	2.30	--
Sorghum.....	79.37	3.60 2/	-2.65
Broilers.....	1141.76	--	+51.37
EC IMPORT LEVIES			
Wheat 5/.....	110.80	3.02	0
Barley.....	120.15	2.62	+6.15
Corn.....	99.30	2.52	+7.85
Sorghum.....	108.05	2.74	+6.50
Broilers 4/ 6/ 8/.....	N.Q.	--	--
EC INTERVENTION PRICES 7/			
Common wheat(feed quality)	172.40	4.69	+5.25
Bread wheat (min. quality)	183.50	4.99	+5.45
Barley and all other feed grains.....	172.40	--	+5.25
Broilers 4/ 6/.....	N.Q.	--	--
EC EXPORT RESTITUTIONS (subsidies)			
Wheat .....	N.A.	--	--
Barley.....	N.A.	--	--
Broilers 4/ 6/ 8/.....	N.Q.	--	--

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Five-day moving average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. N.A.=None authorized. N.Q.=Not quoted. Note: Basis January delivery.



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